

Message Text

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C O N F I D E N T I A L STATE 140229

E.O. 11652: GDS

TAGS: MARR, PO

SUBJECT: AZORES BASE NEGOTIATIONS

1. PORTUGUESE FOREIGN MINISTRY POLITICAL DIRECTOR, VILLAS
BOAS, CALLED ON DEPTOFF (EUR) AT HIS INITIATIVE MAY 31
TO OUTLINE POSSIBLE PORTUGUESE COUNTER-PROPOSALS FOR RENEWAL
OF AZORES BASE RIGHTS. VILLAS BOAS SAID THAT THE OUTLINED
PROPOSALS HAD BEEN PRESENTED TO THE MAY 31 INTER-MINI-
STERIAL GROUP MEETING IN LISBON BY THE AZOREANS AND HAD BEEN
ACCEPTED BY THE GOP.

2. THE FOUR PROPOSALS ARE:

A. U.S. GRANT ECONOMIC ASSISTANCE IN RETURN FOR AN AZORES
RENEWAL SHOULD BE \$100 MILLION, INSTEAD OF \$60 MILLION
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PROPOSED BY THE U.S. (THERE WAS LITTLE DISCUSSION OF THE
MILITARY ASSISTANCE PORTION OF THE PACKAGE.)

B. AGREEMENT SHOULD EXTEND FOR EIGHT YEARS RETROACTIVE TO
FEBRUARY 3, 1974, INSTEAD OF 10 YEARS PROPOSED BY THE
U.S.

C. A NEW RENEWAL SHOULD INCLUDE A CHANGE IN REGULATIONS GOVERNING THE WORK OF U.S. DEPENDENTS AT THE LAJES BASE, A NEW SCHEME FOR DIRECT NEGOTIATIONS BETWEEN THE U.S.

MILITARY AUTHORITIES AND PORTUGUESE WORKERS, AND ACCEPTANCE BY THE U.S. OF PORTUGUESE COURT DECISIONS ON LABOR MATTERS.

D. WITHIN THE SCHEME OF THE AGREEMENT THERE SHOULD BE A DECLARATION OF INTENT TO REMOVE ANY IMPEDIMENT TO THE USE OF LAJES BASE BY CIVILIAN AIRLINES.

3. VILLAS BOAS ADDED THAT THE AZOREANS HAD BEEN UNDER THE IMPRESSION THAT PL 480 COUNTERPART FUNDS WOULD BE AVAILABLE FOR AZORES DEVELOPMENT IN ADDITION TO THE \$100 MILLION, BUT WERE TOLD BY THE GOP INTER-MINISTERIAL GROUP THAT THIS WAS NOT POSSIBLE. THEREFORE, ACCORDING TO VILLAS BOAS, IF THE AZORES DOES NOT RECEIVE ADDITIONAL PL 480, \$100 MILLION IN ECONOMIC ASSISTANCE FOR AN EIGHT-YEAR AGREEMENT MIGHT NOT BE SUFFICIENT. VILLAS BOAS SAID THAT HE WOULD REPORT THE U.S. REACTION TO HIS PRESENTATION TO THE INTER-MINISTERIAL COMMITTEE ON JUNE 8.

4. DEPTOFF INFORMED VILLAS BOAS THAT THE U.S. OFFER WAS FOR \$6 MILLION A YEAR IN GRANT ECONOMIC ASSISTANCE AND AN EQUAL AMOUNT IN MILITARY ASSISTANCE FOR A 10-YEAR CONFIDENTIAL

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EXTENSION, I.E. A TOTAL OF \$120 MILLION WHICH WOULD BE DISBURSED OVER THE REMAINING LIFE OF THE AGREEMENT. ON THE ECONOMIC SIDE THIS IMPLIED GRANTS OF \$12 MILLION PER YEAR FOR FIVE YEARS WHICH WE UNDERSTOOD THE GOP INTENDED TO USE ENTIRELY IN THE AZORES. IN THE VIEW OF BOTH PORTUGUESE AND U.S. ECONOMIC EXPERTS, THAT LEVEL OF DISBURSEMENT IS CLOSE TO THE ISLANDS' ABSORPTIVE CAPACITY.

5. FURTHERMORE THE U.S. HAS PROVIDED MILITARY AND PL 480 ASSISTANCE SUBSTANTIALLY ABOVE THE AMOUNTS CONTEMPLATED AT THE TIME THE OFFER WAS MADE. FOR EXAMPLE FY 79 MAP IS NOW ADDITIONAL TO THE AZORES PACKAGE AND NOT PAID FROM IT. SIMILARLY, PL 480 AVAILABILITIES HAD GROWN BY ABOUT \$50 MILLION. ADDING THIS TO THE \$60 MILLION OFFER ALREADY MADE, BRINGS THE ECONOMIC TOTAL TO MORE THAN THE \$100 MILLION ASKED BY THE AZOREANS. (FYI: IT WAS CLEAR FROM THE CONVERSATION THAT VILLAS BOAS DOES NOT FULLY UNDERSTAND THE POSSIBLE USE OF PL 480 COUNTERPART FUNDS.)

6. VILLAS BOAS WAS ALSO TOLD THAT AN EIGHT-YEAR RENEWAL RETROACTIVE TO FEBRUARY 3, 1974 WOULD PROVIDE ONLY 3 AND ONE-HALF YEARS OF NEW LIFE. SUCH TIME IS TOO SHORT TO

MEET ADMINISTRATIVE REQUIREMENTS NECESSARY FOR MAINTENANCE AND IMPROVEMENTS AT LAJES. VILLAS BOAS SAID THAT PRESIDENT EANES WAS THINKING IN TERMS OF A FOUR-YEAR REMAINING LIFE (I.E. AS IN PROPOSED AGREEMENTS WITH GREECE AND TURKEY) WHEN HE APPROVED THE EIGHT-YEAR

FIGURE SOME MONTHS AGO.

7. IN PRIVATE TALK WITH VILLAS BOAS AND AMBASSADOR THEMIDO AT AIRPORT SAME EVENING, DEPTOFF REITERATED OUR WILLINGNESS TO COMPROMISE FURTHER IN EXCHANGE FOR FIRM GOP COMMITMENT TO SIGN RENEWAL AGREEMENT, BUT ADVISED THAT FURTHER EFFORTS TO RAISE THE ANTE COULD HAVE HARMFUL EFFECTS.

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8. DEPTOFF SUGGESTED THAT BEFORE ACCEPTING AZOREAN LABOR DESIRES, THE GOP ITSELF SHOULD CONSIDER IN ITS OWN BROAD INTERNAL REVIEW ALL THE RAMIFICATIONS OF THE AZOREAN SUGGESTIONS. VILLAS BOAS AGREED. DEPTOFF ADDED THAT IN ANY CASE SUCH QUESTIONS APPEAR TO BE TECHNICAL MATTERS WHICH CAN BE TIME CONSUMING TO RESOLVE. HE SUGGESTED THEY COULD BE APPROPRIATELY AND MORE ADEQUATELY HANDLED BY EXISTING MECHANISMS ALREADY PROVIDED BY THE BASIC AGREEMENT ON ITS RENEWAL.

9. DEPTOFF EMPHASIZED THAT HE HAD NO RPT NO AUTHORITY TO GO BEYOND THE TERMS OFFERED LAST YEAR. HOWEVER, IF THE GOP WERE TO MAKE A FIRM COUNTER-PROPOSAL OF NINE YEARS EXTENSION FROM 1974, \$80 MILLION IN GRANT ECONOMIC ASSISTANCE (THE \$60 MILLION MILITARY ASSISTANCE TO BE UNCHANGED) AND LANGUAGE THAT LEAVES THE LABOR AND CIVIL AIR QUESTIONS TO A POST-RENEWAL STAGE, DEPTOFF WOULD RECOMMEND TO HIS PRINCIPALS USG ACCEPTANCE.

10. VILLAS BOAS PROMISED TO UNDERTAKE SUCH AN EFFORT AT THE GOP JUNE 8 INTER-MINISTERIAL MEETING. CHRISTOPHER

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